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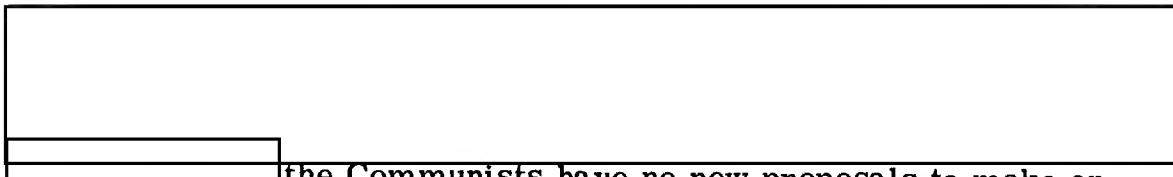
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GENERAL

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1. Soviet diplomat comments on Geneva conference:

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[redacted] the Communists have no new proposals to make on Korea and that there is little likelihood of progress toward unification unless the United States has something additional to offer. He said that if the present division of Korea is to continue indefinitely, there probably will be "ample opportunity" to develop communications and economic relations between the two areas, as in the case of Germany.

Regarding Indochina, he suggested that if the United States and France object to an amalgamation of the Vietnam and Viet Minh administrations, "they can agree to a division along the 16th parallel." Such a solution, he said, would "tend to guarantee" China's southern frontier. (See map)

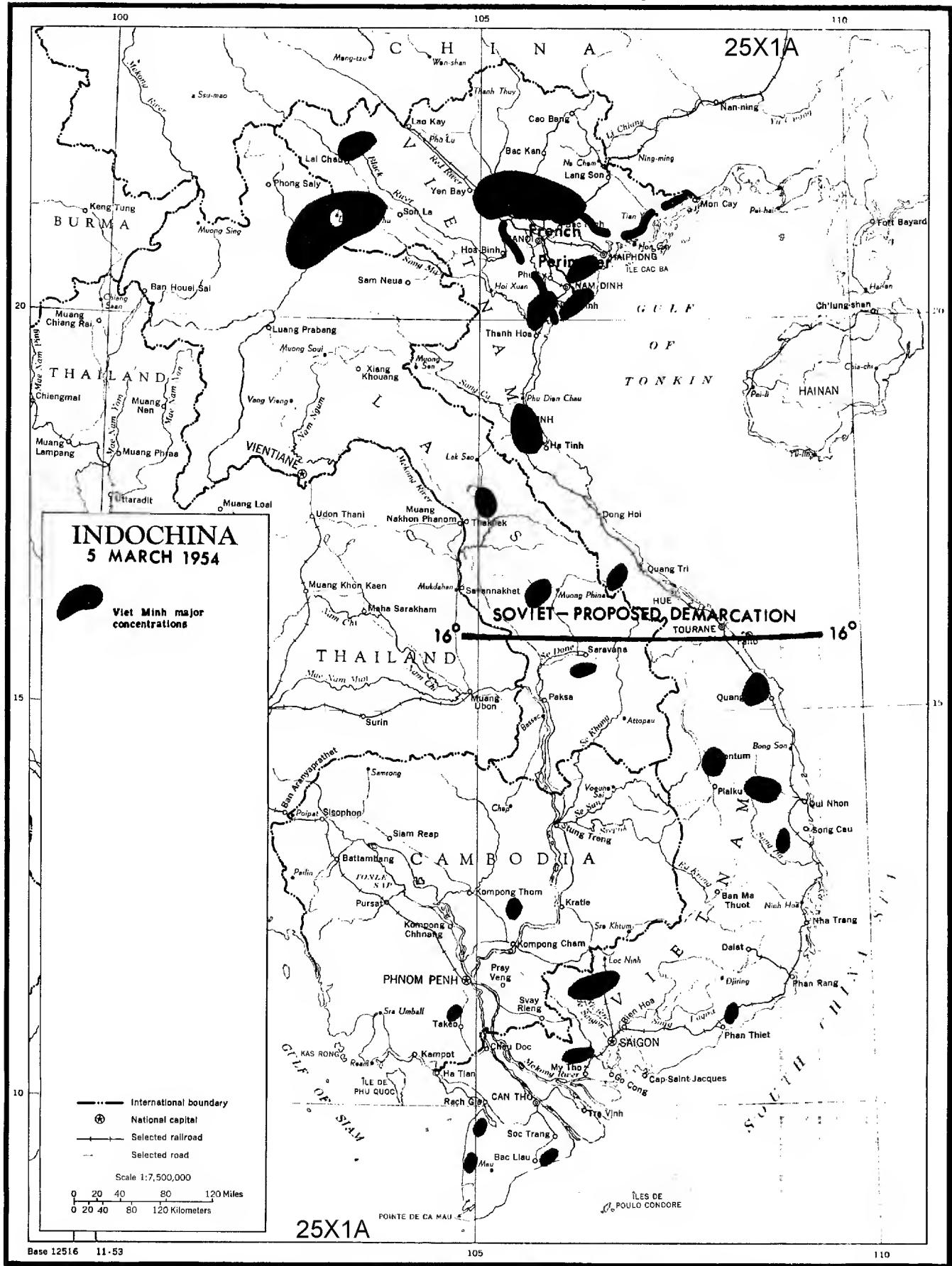
Comment: This first Soviet diplomatic comment on Geneva suggests that the Communists are unwilling to make any substantial concessions in order to bring about the withdrawal of Western military forces.

The solution put forward for Indochina gives no indication of a desire for an early settlement. France recognizes that partition, with the loss of the heavily populated, strategic Tonkin delta, would probably soon be followed by Communist control of the whole country. Moreover, the Vietnamese would not agree to enter a coalition government with the Viet Minh.

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2. USSR makes dollar payment on deficit with France:

The governor of the Bank of France reported that in February the USSR for the first time paid dollars to keep its



debtor position under the ceiling prescribed by the Soviet-French payments agreement. The payment of about \$3,000,000 was made through the sale of dollars for francs on the Paris foreign exchange market.

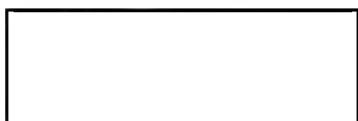
Comment: This unusual payment in dollars was necessitated by Soviet failure to fulfill export commitments under the agreement signed in mid-July. Lagging Soviet exports have also resulted in growing deficits with Finland, Italy and Greece.

This trend contrasts with Soviet propaganda on widespread expansion of trade with the West and suggests that the USSR will have to launch a major export drive in the face of competing domestic demands to carry out its 1954 delivery obligations under existing trade agreements.

The dollar payment may be cited by French proponents of East-West trade, however, as showing Soviet good faith in discharging trade obligations.

SOUTHEAST ASIA

3. Laniel sets conditions for cease-fire in Indochina:



Opening the parliamentary debate on Indochina, Premier Laniel said that France is ready to accept "all reasonable Communist proposals" for a cease-fire in

Indochina. He stated that French conditions included the complete withdrawal of all rebel troops from Laos and Cambodia, establishment of a neutral zone around the Red River delta, and withdrawal of all Viet Minh troops from that area.

Comment: These terms, as Laniel is probably aware, would not be acceptable to the Viet Minh, but might lay the ground for serious bargaining over cease-fire terms. The Vietnamese are also certain to object on grounds that France did not adhere to its pledge to consult the Associated States before making any overtures to the Viet Minh. The governments of Laos and Cambodia could be expected to endorse this offer.

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25X1A 4. Vietnam defense chief says truce prospect demoralizes army:

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Defense Minister Phan Huy Quat told the American chargé in Saigon on 4 March that the prospect of the Geneva conference has shaken the Vietnamese people and in particular has had a disastrous effect on morale in the armed forces.

According to the American embassy in Paris, Defense Minister Pleven stated in his report to the French cabinet that rumors of negotiation with Ho had an adverse effect on the fighting forces in Indochina, while prospects of negotiations among the big powers had a beneficial effect.

Comment: In the past, rumors of French negotiations with the enemy have severely undermined the morale of the Vietnamese, creating the fear that they would be sold out. It is not believed, however, that Vietnamese reaction to Geneva has been as strong as Quat alleged, possibly because the Vietnamese have some hope that the objective of cutting off Chinese aid to the Viet Minh may be realized.

SOUTH ASIA

25X1A 5. Indian province reportedly seeks to ban Communist Party:

[REDACTED]

The West Bengal provincial government has asked New Delhi's permission to ban the local Communist Party [REDACTED]

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The provincial authorities believe the Communists are the only group strong enough to organize serious disturbances in Calcutta, India's largest city, and that disturbances will continue there unless the party is banned.

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Comment: The ban, if imposed, would be the first in India since the general lifting of restrictions on Communist parties in 1951. Calcutta has been a major center of Communist intellectual and labor agitation, but a ban there would not affect the national party leadership, which maintains headquarters in Bombay and Delhi.

Although no large-scale disturbances have been reported from Calcutta since the riots of 14-18 February, conditions in the city are always inflammatory.

NEAR EAST - AFRICA

6. AIOC and British government agree on composition of Iranian oil consortium:

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The British government and the Anglo-Iranian Oil Company have agreed to limit to 40 percent AIOC's interest in the proposed oil consortium to market Iranian oil. This

agreement is contingent on the understanding that AIOC and American participation will be equal and that the composition of the consortium shall not be a matter for negotiation with Iran.

The Compagnie Francaise des Petroles has an option of an eight-percent interest, but is not expected to take all of it. Royal Dutch Shell has provisionally accepted a 12-percent share and is believed willing to assume any unused part of the French option.

Comment: Before the consortium proposal is ready for submission to Tehran, problems relating to the organization of the consortium, prices, compensation, production, and refining must still be resolved.

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In view of the 40-percent British interest in Royal Dutch Shell, Iran may consider that the proposed consortium would be British-dominated, but it will probably accept the arrangement as the only basis on which negotiations can begin.

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